

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10 INT-05
L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00 AID-05
SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 XMB-02 OPIC-03 /141 W
-----114683 251801Z /46

R 251417Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6485
INFO AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY ROME
AMEMBASSY OTTAWA
USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 08281

USEEC
USOECN ALSO FOR EMBASSY
USMTN ALSO FOR MISSION

E.O. 11652: XGDS-1
TAGS: EGEN, UK, JA
SUBJECT: JAPANESE ECONOMIC MEASURES

SUMMARY: MESSAGE REPORTS UNDER SECRETARY COOPER'S DIS-
CUSSION MAY 24 WITH MICHAEL BUTLER, THE SENIOR ECONOMIC
OFFICER OF THE BRITISH FOREIGN OFFICE, OF ECONOMIC
MEASURES JAPAN SHOULD BE ASKED TO TAKE IN THE CONTEXT OF
THE JULY SUMMIT. END SUMMARY.

1. BUTLER BEGAN BY SAYING WE NEED TO GET JAPAN TO DO
SOMETHING SUBSTANTIAL TO STIMULATE THEIR ECONOMY. THE
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UK ANALYSIS DOES NOT SHOW ENOUGH STIMULUS TO INCREASE
IMPORTS MUCH OR REACH THE 7 PERCENT GROWTH TARGET. THE
UK WOULD LIKE TO PRESS AT THE SUMMIT FOR ONE PERCENT OF
GNP OF (ADDITIONAL) STIMULATION. THIS MIGHT YIELD
1.5 PERCENT GROWTH, WHICH COULD MAKE THE 7 PERCENT TARGET
ATTAINABLE. WE MUST KEEP UP THE PRESSURE BEFORE AND AT
THE SUMMIT; OTHERWISE THE JAPANESE WILL SAY THEY WILL

LOOK AT THE SITUATION IN THE AUTUMN AND THEIR SURPLUS
WILL CONTINUE AS LARGE AS EVER.

2. COOPER SAID THE RECENT BRITISH PAPER ON THIS SUBJECT
HAD ALL OF THE COMPONENTS RIGHT BUT A TONE OF URGING
THAT IS EXCESSIVE. THE JAPANESE PRIME MINISTER IS AS
COMMITTED TO GROWTH AS HE CAN BE; HE HAS MADE FLAT COM-
MITMENTS TO 7 PERCENT. THE MITI MINISTER IS SIMILARLY
COMMITTED, AND THE FINANCE MINISTER HAS NOT REALLY OB-
JECTED. IN THE CIRCUMSTANCES THE RIGHT STRATEGY IS TO
ACCEPT THESE COMMITMENTS AND ASSUME THE NECESSARY STEPS
WILL BE TAKEN. WE SHOULD STATE THIS ASSUMPTION AND MAKE
IT CLEAR THAT IT IS IMPORTANT INTERNATIONALLY TO FOLLOW
THROUGH, BUT NOT WITH A TONE OF PRESSURE OR URGING.
PRESSURE COULD RIGHTLY BE APPLIED ELSEWHERE, NOTABLY ON
THE JAPANESE MTN OFFER, WHICH HAS TO BE IMPROVED, AND ON
AID UNTIEING. AID NEEDS TO BE UNTIED IN FACT, NOT JUST
IN PRINCIPLE WITH NEARLY ALL CONTRACTS GOING TO JAPAN.
RETURNING TO GROWTH, COOPER SAID WE CAN REGISTER DOUBTS
WHETHER THE MEASURES TAKEN ARE ENOUGH, BUT WE SHOULD
ASSUME RATHER THAN URGE THE NECESSARY MEASURES. HE
DOUBTED THAT THE U.S. AND UK POSITIONS ARE MUCH DIFFERENT
IN SUBSTANCE, BUT THE BRITISH LINE SOUNDS MORE STRIDENT.

3. BUTLER SAID HE DOES NOT WANT TO PUT TOO MUCH EMPHASIS
ON THE GROWTH TARGET; IT MIGHT TAKE 9 PERCENT TO ELIMINATE
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THE SURPLUS ANYWAY, BUT HE WOULD LIKE TO ARGUE IN A
TACTFUL WAY FOR A ONE PERCENT STIMULUS. HE EXPECTS
GROWTH COMMITMENTS FROM THE FRG AND THE EC, AND JAPAN
SHOULD INDICATE WHAT STIMULUS IS PLANNED. HE SAID HE
WOULD BE VERY UNHAPPY TO LAY OFF THE SUBJECT OF GROWTH.
COOPER SAID DON'T LAY OFF THE SUBJECT; STATE THE
ASSUMPTION OF THE NECESSARY MEASURES, MAKE THE POINT AND
LEAVE IT. A BIG EMPHASIS ON JAPAN IN THIS AREA WOULD BE
A MISTAKE. BUTLER SAID, FINALLY, HE WOULD LIKE TO SEE
THE SUMMIT FOSTER THE IDEA THAT WE ARE MANAGING OUR
ECONOMIES BY ANNOUNCING AS MUCH AS POSSIBLE FROM BONN.
A ONE PERCENT STIMULUS IN EUROPE, INCLUDING 1.5 PERCENT
IN GERMANY, AND ONE PERCENT IN JAPAN WOULD HAVE A REAL
IMPACT.

4. ON EXCHANGE RATES, BUTLER SUGGESTED WE SHOULD TELL
THE JAPANESE WE DON'T WANT THEM TO BE THE FIRST TO BE
TALKED TO UNDER ARTICLE 4 OF THE IMF. (HE SAID LATER HE
WASN'T SURE THE FRENCH OR GERMANS WOULD AGREE TO THIS.)
COOPER SAID HE WOULD PUT IT THE OTHER WAY AROUND: WE
ASSUME YOU WILL NOT INTERVENE TO MAINTAIN AN UNSUSTAINABL
RATE. THE OTHER THOUGHT FOLLOWS. WE HAVE SAID WE ARE

SERIOUS ABOUT SURVEILLANCE OF SURPLUS COUNTRIES.

5. ON JAPANESE IMPORTS, COOPER SAID WE SHOULD IDENTIFY CASES OF OBSTACLES WHERE WE CAN. HE ALSO THOUGHT WE

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SS-15 STR-07 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
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R 251417Z MAY 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 6486
INFO AMEMBASSY TOKYO
AMEMBASSY BRUSSELS
AMEMBASSY PARIS
AMEMBASSY BONN
AMEMBASSY ROME
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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 08281

COULD DISCUSS WITH THE JAPANESE THE PROBLEM THAT OUR BUSINESSMEN COMPLAIN ABOUT DIFFICULTIES BUT WILL NOT BRING FORWARD CASES FOR FEAR OF ADVERSE EFFECTS ON THEIR BUSINESS. GOVERNMENT AND QUASI-GOVERNMENT PROCUREMENT IS ANOTHER AREA FOR PUSHING RECEPTIVITY TO IMPORTS. BUTLER SAID THE UK WOULD WELCOME A PUSH ON THIS, THOUGH THEY WOULD HAVE A POLITICAL PROBLEM IN PUSHING IT THEMSELVES. MORE BROADLY, JAPAN SHOULD BE MAKING AN EFFORT TO MAKE IMPORTS ACCEPTABLE. HE AGREED MAJOR IMPROVEMENT IN THE JAPANESE MTN OFFER IS NEEDED.

6. THERE WAS A BRIEF DISCUSSION OF POSSIBLE JAPANESE COMMODITY BUYING FOR STOCKPILING. COOPER SAID THE

JAPANESE HAVE MENTIONED POSSIBILITIES OF BUYING OIL,
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URANIUM, NON-FERROUS METALS (PRESUMABLY COPPER) AND
AIRCRAFT. THEY HAD ASKED ABOUT ENRICHED URANIUM
(BEYOND PREPAYMENTS ON EXISTING CONTRACTS) AND WE SAID
WE WOULD DISCUSS THE SUBJECT. COOPER SAID WE SHOULD
DISCUSS THESE THINGS, BUT NOT BE DISTRACTED FROM FUNDA-
MENTALS.

7. BUTLER AGREED WITH COOPER'S EARLIER POINT ON
UNTIEING AID; WE SHOULD PRESS FOR REAL IMPLEMENTATION.
HE ADDED WE SHOULD PRESS JAPAN TO TAKE A GOOD SHARE OF
ON-GOING INTERNATIONAL RESCUE OPERATIONS IN SEVERAL
PLACES.

8. THIS MESSAGE DRAFTED AFTER UNDER SECRETARY COOPER'S
DEPARTURE.

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Message Attributes

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TAGS: EGEN, UK, US, JA
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